



**Actuarial Office**  
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June 20, 2006

## **AGENDA ITEM 6**

### **TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE**

**I. SUBJECT:** EFI's Parallel Valuation and Certification of the June 30, 2004 Legislators' Retirement System (LRS)

**II. PROGRAM:** Actuarial Office

### **III. RECOMMENDATION:**

It is recommended that the Committee accept and recommend to the Board of Administration the acceptance of the EFI's report on the parallel valuation and certification of the actuarial valuation of LRS in completion of Task 3 of Contract 2003-3236.

### **IV. ANALYSIS:**

EFI's independent parallel valuation of LRS matched the liabilities calculated by CalPERS' staff actuaries within 1% and has certified our results as "reasonably correct" and "computed in accordance with generally accepted actuarial principles."

EFI's report noted an issue which they recommend be reviewed. Specifically, EFI noted the following:

- Spouse Ages.

"Among active members and retired members for whom data is not available, wives are assumed to be three years younger than their husbands. A review of the data available for retired members shows that the average wife of a retired male legislator is eight years younger, and the beneficiaries of retired female legislators average 11 years younger

than the member. It may be appropriate to review and revise the current assumption accordingly.”

CalPERS staff actuaries can not assume that all beneficiaries of male recipients are their wives; there are beneficiaries that are non-spouses. After reviewing the experience of the most recent 18 retirements for legislators as of June 30, 2005, we changed the spouse age difference from 3 years to 4 years and increased the Joint and Survivor assumption from 80% to 100% to more accurately reflect future anticipated experience. This change had minimal impact on the valuation. The legislative group was closed due to the Political Reform Act of 1990. Senators and Members of the Assembly first elected after November 7, 1990 are not allowed to participate in LRS. There were only 29 non-retired legislators remaining with a combined present value of benefits of \$8,252,275. Further adjustments to the assumptions would have minimal, if any, impact on the valuation. However, we will continue to monitor the situation.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial Office.

**VI. RESULTS/COSTS:**

There are no costs associated with this item other than the payment of EFI's fee under contract 2003-3236.



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David Clement,  
Associate Pension Actuary  
Actuarial Office

Benefits and Program Administration Committee  
June 20, 2006

A handwritten signature in black ink, appearing to read "Ron Seeling". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

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Ron Seeling, Chief Actuary  
Actuarial & Employer Services Branch

Members of the Benefits and Program Administration Committee  
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